



## County Treasury | San Diego, California

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07



## Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2007



Issued by Dan McAllister  
San Diego County Treasurer - Tax Collector





A low-angle, upward-looking photograph of the San Diego City and County Administration Building. The building is a tall, Art Deco-style structure with a central tower and two side wings. The facade is light-colored with dark window frames. The entrance is a large, arched doorway with a glass door. The text "SAN DIEGO CITY AND COUNTY ADMINISTRATION BUILDING" and "ERECTED MCMXXXVI" is visible above the entrance. The motto "THE NOBLEST MOTIVE IS THE PUBLIC GOOD" is inscribed on the building's facade. The image is overlaid with a semi-transparent blue filter and a yellow rectangular box containing the text "Mission Statement".

SAN DIEGO CITY AND COUNTY  
ADMINISTRATION BUILDING  
ERECTED MCMXXXVI

THE NOBLEST MOTIVE IS THE PUBLIC GOOD

## Mission Statement

“To provide the citizens, agencies and employees of San Diego County with superior financial services in terms of quality, timeliness, efficiency, and value while maintaining the highest levels of customer service satisfaction.”





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The image features a large American flag hanging from the ceiling in a room. The entire image is covered with a semi-transparent blue overlay. A yellow grid is superimposed on the image, with a central rectangle highlighting the text. The text "Introductory Section" is written in a light orange color within this highlighted area.

## Introductory Section



## Letter of Transmittal from the Treasurer



Dan McAllister  
San Diego County Treasurer - Tax Collector

**December 27, 2007**

**Board of Supervisors and Treasury  
Oversight Committee  
County of San Diego  
San Diego County Administration Center  
San Diego, California 92101**

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Diego County Investment Pool (the "Investment Pool") for the year ended June 30, 2007. This report and the annual audit are presented to demonstrate compliance with Section thirty-three of the Investment Pool's Money Fund Investment Policy (the "Investment Policy"). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Treasurer's Office.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Investment Pool in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. All disclosures necessary to enable the reader to gain an understanding of the Investment Pool's financial activities have been included.

The Investment Pool's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable

assurance that the financial statements of the Investment Pool for the year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Investment Pool's financial statements for the year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Investment Pool's MD&A can be found after the independent auditor's report.

### **Profile of the San Diego County Investment Pool**

The San Diego County Investment Pool (the "Investment Pool") was created when the State Legislature established the five-member County Board of Supervisors in 1853. It is a local government Pool with \$4.6 billion in assets as of June 30, 2007. The Investment Pool is headed by the San Diego County Treasurer-Tax Collector, an elected official that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool is managed by the Treasurer's Office on behalf of the Investment Pool participants. The County portion of the Investment Pool assets as of June 30, 2007 is \$1.9 billion while the external portion that is not part of the County is \$2.7 billion. Depositors in the Investment Pool include both Mandatory and Voluntary participants located within the County

of San Diego (see Investment Pool Participants Composition list and chart, page 37).

Mandatory participants include the County of San Diego, K-12 school districts, and various special districts and accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer's Office. Mandatory participants comprise the majority of the Investment Pool's assets, approximately 98% as of June 30, 2007.

Voluntary participants are those agencies that are not required to place their funds in the Investment Pool, and do so only as an investment option. Voluntary participants include cities, fire districts, and various special districts. As of June 30, 2007, Voluntary participants accounted for approximately 2% of the Investment Pool.

Community Colleges fall somewhere between Mandatory and Voluntary participants. While they have the authority to invest funds outside of the Investment Pool, they receive banking, checking, and investment services from the County. They are included in the 98% Mandatory participants.

In addition to investment management, the Treasurer's Office also provides banking services to all Non-Voluntary Participants. These services include, but are not limited to, warrant redemption, Automated Clearing House (ACH), Federal Wire payments, acceptance of deposits, fund accounting, and account reconciliation.

### **Investment Policies and Practices**

The primary objectives of the Investment Pool, as set forth in the Investment Policy, in order of importance, are safety, liquidity, and yield. The following goals have been set for the next fiscal year 2007/2008:

- Promote fiscal stability by maintaining 'AAA' rating from Standard & Poor's rating service.
- Improve investment benchmark management process by developing one additional analytical application.

- Improve constituent outreach by increasing public awareness of services offered by the Investment Division.
- Obtain a certificate of achievement for excellence in financial reporting by the Government Finance Officers Association.

The Treasurer's Office prepares the Investment Policy on an annual basis, to ensure the integrity of the Investment Pool and provide guidelines for its operation. Upon completion of the Investment Policy by the Treasurer's Office, it is presented for review to the Treasurer's Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Investment Pool is limited by the Investment Policy, which places restrictions on the securities that may be purchased. Cash temporarily idle during the year was invested in negotiable certificates of deposit, obligations of the U.S. Treasury, U.S. government agencies, commercial paper, corporate bonds and medium-term notes, asset-backed securities, money market mutual funds, repurchase agreements and collateralized certificates of deposit. The maturities of the investments range from one day to five years, with an average weighted maturity of 171 days. The weighted average effective yield (annualized) on investments as of June 30, 2007 was 5.23%. To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Investment Pool. To facilitate internal security and safeguards, the Investment Policy requires an annual audit and the establishment and maintenance of internal controls and procedures. For the 2006/2007 fiscal year, investments provided a 5.00% apportionment rate, which is the rate used in allocating the net earnings to the participants. The Investment Pool's average rate of return over the last three years was 3.57% and 2.92% over the last five years. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. The

Treasurer's Office provides monthly and quarterly investment reports to the Board of Supervisors, who then reviews this information as part of their monitoring and oversight function. Furthermore, the Board of Supervisors has established the Treasury Oversight Committee, who monitors the management of funds and reviews the Investment Policy. Please refer to the Investment Section (pages 31 - 40) of this CAFR for additional information on investments.

### Significant Events of the Year

During the fiscal year 2006/2007, significant events included:

(1) The Investment Pool remained rated 'AAAf/S1' by Standard & Poor's, a nationally recognized rating agency. This rating reflects the extremely strong protection the Investment Pool's portfolio investments provide against losses from credit defaults. The 'S1' volatility rating signifies that the Investment Pool possesses low-sensitivity to changing market conditions, given its low-risk profile and conservative investment policies. Rating considerations included:

- Low exposure to market risk, by virtue of conservative investment policies and practices.
- Limited use of leverage.
- High standards for credit quality and diversification.
- High degree of liquidity resulting from maturity profile and composition of Investment Pool participants.
- Strong ability to forecast ongoing cash requirements.
- Solid management oversight and operational controls.

(2) After seventeen consecutive increases to the federal funds target rate, the Federal Open Market Committee (FOMC) left the rate unchanged at 5.25% throughout fiscal year 2006/2007. The FOMC cited slowing economic growth and a "substantial cooling in the housing market" as reasons to maintain its neutral position. During the first six to eight months of fiscal year 2006/2007, the Investment Pool investments were kept in uncharacteristically short maturities in anticipation of funding the new Benchmark Portfolio.



## County of San Diego's Economic Condition

Like the national economy, the County has been impacted by the housing slump for most of fiscal year 2006/2007. As expected, the housing slowdown has impacted job growth in the construction industry. However, local economists believe that the slump will be confined to calendar year 2007 since the demand for housing in the County far exceeds the supply. Overall, the economy will be modestly impacted by the slowdown because other employment sectors, specifically tourism and hospitality, continue adding jobs at a constant pace and total visitor spending increased nearly 5% in 2006.

The County of San Diego has maintained fiscal stability within the discipline of the General Management System that establishes strong fiscal management practices. The fiscal discipline has allowed the County to allocate \$55.5 million to the general fund reserves since fiscal year 2003/2004. This set aside will be applied to meet the needs of unforeseen economic and operational uncertainties that may arise during fiscal year 2007/2008. The County's fiscal responsibility was validated by the recent upgrade in its general obligation debt rating from "AA" to "AA+/Aa2" from all three rating agencies: Standard & Poor's, Moody's and Fitch Ratings.

## Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Investment Pool for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. This was the ninth consecutive year that the Investment Pool has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

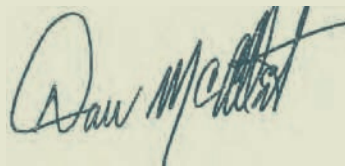
A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and determining responsible stewardship of the funds in the Investment Pool.

## Requests for Information

This financial report is designed to provide a general overview of the Investment Pool's activities during fiscal year 2006/2007. Questions concerning any of the information provided in this report or requests for additional financial information, including a complete list of the Investment Pool's current holdings, should be addressed to the Office of San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 152, San Diego, California, 92101. Copies of the comprehensive annual financial report will also be available on the Internet at [www.sdtreastax.com](http://www.sdtreastax.com).

Respectfully,



Dan McAllister  
San Diego County Treasurer - Tax Collector



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County  
Treasury, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director





## Treasury Oversight Committee

From left to right:

Helen Robbins-Meyer  
Wilmer Cooks  
Annette Hubbell  
Vernon Evans  
Tracy Sandoval  
Chris Zapata  
Dan McAllister  
Barry Newman  
William Kowba  
Don Steuer

## Treasury Oversight Committee

<b>Dan McAllister</b>	Treasurer-Tax Collector County of San Diego
<b>Helen Robbins-Meyer</b>	Assistant Chief Administrative Officer County of San Diego
<b>William Kowba</b>	Chief Financial Officer San Diego Unified School District
<b>Chris Zapata</b>	City Manager City of National
<b>Lora Duzyk</b>	Asst. Superintendent of Business Services San Diego County Office of Education
<b>Barry I. Newman, Esquire</b>	Chairman of Oversight Committee Public Member

<b>Vernon Evans</b>	Vice President Finance/Treasurer San Diego County Regional Airport Authority
<b>Annette Hubbell</b>	General Manager Rincon del Diablo Metropolitan Water District
<b>Wilmer Cooks</b>	Business Owner Public Member
<b>Tracy Sandoval</b>	Asst. Chief Financial Officer/ Auditor & Controller County of San Diego
<b>Janel Pehau</b>	Office of Financial Planning Director County of San Diego (Alternate to Tracy Sandoval)



## Ex-officio

<b>Donald Steuer</b>	Chief Financial Officer County of San Diego
<b>Renee Wasmund</b>	Chief Financial Officer San Diego Association of Governments

## County Staff

<b>William Smith</b>	Senior Deputy County Counsel County of San Diego
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## Treasurer-Tax Collector Organization Chart







## Investment Pool Staff Members

**Lisa Marie Harris**  
Chief Deputy Treasurer

**Vacant**  
Accounting Manager

**Vacant**  
Investment Officer

**Alison Hunter**  
Senior Accountant

**Annabelle Asido**  
Senior Accountant

**Su Cheng Wang**  
Staff Accountant

**Rosella Perez**  
Supervising TTC Specialist

**Rob Castetter**  
Chief Investment Officer

**Mark Van Den Herik, CFA**  
Investment Officer

**Vacant**  
Assistant Accounting Manager

**Geena Xioaqing Balistrieri**  
Staff Accountant

**Jing Hua**  
Staff Accountant

**Riza Bulante**  
Associate Accountant

**Carmen Perez**  
Senior TTC Specialist





Financial Section







**MACIAS GINI & O'CONNELL LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
Sacramento, CA 95816  
916.928.4600

2175 N. California Boulevard, Suite 645  
Walnut Creek, CA 94596  
925.274.0190

515 S. Figueroa Street, Suite 325  
Los Angeles, CA 90071  
213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
County of San Diego, California

We have audited the accompanying basic financial statements of the San Diego County Investment Pool (the "Investment Pool") of the County of San Diego, California, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Investment Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Investment Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Investment Pool and do not purport to, and do not, present fairly the financial position of the County of San Diego, California, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Investment Pool as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 20 through 22, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Investment Pool. The introductory, investment and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Macias Gini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California  
December 27, 2007

## **San Diego County Investment Pool Management's Discussion and Analysis Unaudited. June 30, 2007**

As management of the San Diego County Investment Pool (the "Investment Pool"), we offer readers of the Investment Pool's financial statements this narrative overview and analysis of the financial activities of the Investment Pool for the year ended June 30, 2007.

The following analysis primarily focuses on the Investment Pool's current year results in comparison with the prior year. We hope that the information presented here, and in the Letter of Transmittal, provides you with a solid understanding of the Investment Pool's financial status as of June 30, 2007.

### **Financial Results**

- The assets of the Investment Pool exceeded its liabilities at the close of the most recent fiscal year by \$4.6 billion (net assets).
- The Investment Pool's total net assets increased by \$562.4 million. This represents a net increase of 14% over the last fiscal year.
- The net investment income of the Investment Pool increased by 9.0% from \$169.0 million for the year ended June 30, 2006 to \$184.3 million for the year ended June 30, 2007.
- During the year, the Investment Pool distributed \$202.2 million to participants compared to the previous year's distribution of \$136.2 million. This represents an increase of \$66.0 million (48.5%) over the last fiscal year.
- The Investment Pool's expense ratio was competitive at 0.14% of the average daily balance for the fiscal year 2006/07 and 0.13% for the fiscal year 2005/06.
- The fair value of the Investment Pool showed an undistributed and net unrealized loss of \$4.3 million (0.1% of portfolio fair value) at June 30, 2007 compared to an undistributed and net unrealized gain of \$19.1 million (0.5%) at June 30, 2006.

During fiscal year 2006/2007, the Federal Open Market Committee (FOMC) did not change interest rates. In the latter portion of fiscal year 2005/2006, the investment team began to extend the weighted average maturity of the fund to lock in higher rates. This strategy enabled the Investment Pool to invest in yields which were relatively higher, increasing distributable earnings by more than \$66.0 million allowing for a distribution increase to its participants by 48.5%.

### **Overview of the Investment Pool Financial Statements**

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The Investment Pool's basic financial statements consist of two components:

- 1-A) Statement of Net Assets,  
1-B) Statement of Changes in Net Assets
- 2) Notes to the Basic Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Assets presents information on the Investment Pool's assets and liabilities, with the difference between the two reported as *net assets*.

### **Net Assets**

The Investment Pool net assets increased by \$562.4 million (14%) for the year ended June 30, 2007 primarily due to increased deposits by Investment Pool participants.

A summary of the Investment Pool's net assets is presented on the next page.

## Statement of Net Assets

	2007	2006	Increase/(Decrease) Amount	Percentage
ASSETS				
Investments at Fair Value	\$ 4,550,151,971	\$ 3,993,868,555	\$ 556,283,416	13.93%
Cash and Receivables	81,004,339	55,504,684	25,499,655	45.94%
Total Assets	4,631,156,310	4,049,373,239	581,783,071	14.37%
LIABILITIES				
Distributions Payable and Accrued Expenses	64,545,225	45,195,075	19,350,150	42.81%
Total Liabilities	64,545,225	45,195,075	19,350,150	42.81%
Net Assets held in Trust for Pool Participants	\$ 4,566,611,085	\$ 4,004,178,164	\$ 562,432,921	14.05%

## Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Investment Pool's net assets changed during the most recent fiscal year. The additions include additions to investments, interest income and changes in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The deductions consist of deductions from investments, distributions to Investment Pool's participants and administrative expenses.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

A summary of the changes in the Investment Pool's net assets is presented on the next page.



## Statement of Changes in Net Assets

	2007	2006	Increase/(Decrease) Amount	Percentage
ADDITIONS				
Additions to Pooled Investments	\$ 11,909,698,604	\$ 28,473,113,569	\$ (16,563,414,965)	-58.17%
Net Investment Income	184,286,445	169,044,590	15,241,855	9.02%
Total Additions	12,093,985,049	28,642,158,159	(16,548,173,111)	-57.78%
DEDUCTIONS				
Deductions From Pooled Investments	11,325,005,688	28,629,147,195	(17,304,141,507)	-60.44%
Distributions to Participants	202,150,125	136,174,373	65,975,752	48.45%
Administrative Expenses	4,396,315	3,957,556	438,759	11.09%
Total Deductions	11,531,552,128	28,769,279,124	(17,237,726,996)	-59.92%
Changes in Net Assets	562,432,921	(127,120,965)	689,553,886	-542.44%
Net Assets Beginning of Year	4,004,178,164	4,131,299,129	(127,120,965)	-3.08%
Net Assets End of Year	\$ 4,566,611,085	\$ 4,004,178,164	\$ 562,432,921	14.05%

Additions to pooled investments decreased by \$16.6 billion, or 58.2%, from the previous year. Deductions from pooled investments decreased by \$17.3 billion, or 60.4%, from the previous fiscal year. In prior years, the Investment Pool reports included interfund activity in additions and deductions. In the current year, the report has been revised to reflect the elimination of interfund activity. The report is now on a net cash inflow and outflow basis which management believes is more representative of the Investment Pool's inflows and outflows and accounts for the significant decrease in additions and deductions in comparison to the prior year. However, investment income increased as both the average amount invested in the Investment Pool and the average yield of investments increased during the

fiscal year. The increased average amount invested is the result of increased property tax revenues and financing activities. The net investment income increased by \$15.2 million, or 9.0%, for the fiscal year ended June 30, 2007.

The Investment Pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting investment and administrative costs. Distributions to participants increased by \$66.0 million, 48.5%, due to increased earnings in the Investment Pool. Administrative expenses increased by \$439 thousand, or 11.1%, over the previous year. The overall net increase in net assets was \$562.4 million for the year ended June 30, 2007 and \$127.1 million net decrease for June 30, 2006.

## San Diego County Investment Pool - Statement of Net Assets - June 30, 2007

ASSETS		
Investments at Fair Value:		
U.S. Government Agencies:		
Federal Home Loan Mortgage Corporation Notes	\$ 284,884,920	
Federal Home Loan Bank Notes	259,247,307	
Federal National Mortgage Association Notes	49,915,000	
Federal Farm Credit Bank Notes	49,150,000	
U.S. Treasury Notes	319,459,300	
Short-Term Notes:		
Commercial Paper	1,708,348,318	
Corporate Medium-Term Notes	228,303,000	
Repurchase Agreements Collateralized By		
Money Market Securities	302,494,413	
Government Agencies	-	
Negotiable Certificates of Deposit*	1,245,258,763	
Money Market Mutual Funds	56,950,000	
Asset-Backed Notes	46,140,950	
Total Investments at Fair Value	4,550,151,971	
Other Assets:		
Cash on Hand and In Banks	23,540,749	
Receivables and Other	57,463,590	
Total Assets	4,631,156,310	
LIABILITIES		
Distributions Payable	62,610,780	
Accrued Expenses	1,934,445	
Total Liabilities	64,545,225	
NET ASSETS	<b>\$ 4,566,611,085</b>	
Net assets consists of:		
Participant units outstanding (\$1.00 par)	\$ 4,570,918,978	
Undistributed and unrealized gains/losses	(4,307,893)	
Net assets	\$ 4,566,611,085	
Participant net asset value at fair value price per share (\$ 4,566,611,085 divided by 4,570,918,977 units)	\$ 0.999	

\*Includes \$55,000,000 of Collateralized Certificates of Deposit

## San Diego County Investment Pool - Statement of Changes in Net Assets - For the Year Ended June 30, 2007

ADDITIONS	
Additions To Pooled Investments	\$ 11,909,698,604
Investment Income:	
Net Decrease in Fair Value of Investments	(22,259,995)
Interest	208,254,888
Less Expenses	(1,708,448)
Net Investment Income	184,286,445
Total Additions	12,093,985,049
DEDUCTIONS	
Deductions From Pooled Investments	11,325,005,688
Distributions To Participants	202,150,125
Administrative Expenses	4,396,315
Total Deductions	11,531,552,128
Change in Net Assets	562,432,921
Net Assets, Beginning of Year	4,004,178,164
Net Assets, End of Year	<b>\$ 4,566,611,085</b>

## San Diego County Investment Pool Notes to the Basic Financial Statements For the Year Ended June 30, 2007

### Summary of Significant Accounting Policies

#### The Financial Reporting Entity

The San Diego County Investment Pool (the "Investment Pool") is a part of the County of San Diego and is responsible for approximately \$4.6 billion in assets as of June 30, 2007. The Investment Pool is administered by the Treasurer-Tax Collector, an elective office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The Investment Pool

is managed by the County Treasurer's Office on behalf of the Investment Pool participants.

The Investment Pool participants include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Investment Pool comprise the majority of the Investment Pool's assets, approximately 98%. All participants comply with the same requirements per the Investment Policy. The State of California gives the Board of Supervisors the ability to delegate the investment authority to the County Treasurer's Office in accordance with Section 53607 of the California

Government Code. The Investment Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Investment Pool does not have any legally binding guarantees of share values.

The Treasurer's financial report for the year ended June 30, 2006 included dedicated investments that resided outside the Investment Pool. In order to be consistent with Section 27134 of the California Government Code and as this report is presented to the Treasury Oversight Committee and Investment Pool participants, the non-pool investments are not included in the June 30, 2007 financial statements. The non-pool investments are presented in the County's Comprehensive Annual Financial Report for the year ended June 30, 2007.

#### **Measurement focus, basis of accounting and financial statement presentation**

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of related cash flows. Investment Pool

participants' cash balances and withdrawals are based on cost while investments are reported at fair value.

#### **Assets, liabilities and net assets**

**1. Deposits:** At year-end, the carrying amount of the Investment Pool's deposits was \$23,540,749 while the related bank balance with various financial institutions totaled \$23,534,858. The bank balance amount with various financial institutions consisted of \$21,843,858 in demand deposits and \$1,691,000 in insured time deposits. Of the total bank balance amount, \$1,891,000 was covered by federal deposit insurance and \$21,643,858 was collateralized with securities held by the pledging financial institution in the County's name. The County is also in compliance with State statutes that require depositories having public funds on deposit to maintain Investment Pool securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit.

**Custodial Credit Risk.** The Investment Pool does not have a formal policy regarding sweep (deposit) accounts, but the practice is to utilize national or state chartered banks where the excess over FDIC insurance is invested in repurchase agreements that are collateralized by U.S. Treasury and Federal Agency securities equal to or greater than the deposit amount in accordance with California Government Code.

**2. Pool Investments:** The Investment Pool operates under the prudent person standard. Specifically, California Government Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686 authorize the Treasurer to invest funds in permissible types of investment or financial instruments. These include: U.S. treasuries, Federal agencies, local agency obligations, banker's acceptance, commercial paper, medium-term notes, negotiable certificates of deposit, repurchase and reverse repurchase agreements, pass-throughs, money market mutual funds, and local agency investment funds.



## Investment Pool Policy Restrictions versus Government Code 53601 Requirements

Investment Type	Maximum Maturity		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy	Gov. Code	Pool Policy
US Treasury and agency obligations	5 years	5 years	None	None	None	25%	None	None
Local agency obligations	5 years	5 years	None	15%	None	10%	None	A
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A
Commercial paper	270 days	270 days	40%	40%	10%	(1)	A	A
Negotiable certificates	5 years	5 years	30%	30%	30%	5%	None	A
Repurchase agreements	1 year	1 year	None	40%	None	(2)	None	None
Reverse repurchase agreements	92 days	92 days	20%	20%	None	5%	None	None
Local agency investment fund of California	N/A	N/A	None	10%	None	10%	None	None
Medium term notes/bonds	5 years	5 years	30%	30%	30%	5%	A	A
Mutual funds	N/A	N/A	20%	15%	10%	10%	AAA	AAA
Pass-through securities (3)	5 years	5 years	20%	20%	None	5%	A	A

(1) Maximum exposure per issuer - The maximum exposure to a single issuer shall be 5% of the portfolio when the dollar weighted average maturity is greater than 5 days, 10% of the portfolio when the dollar weighted average maturity is 5 days or less.

(2) Maximum exposure per issue - The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RP's with maturities greater than 5 days, 15% of the portfolio for RP's maturing in 5 days or less.

(3) Limited to equipment leaseback certificates, consumer receivable pass-through certificates or consumer receivable-backed bonds.

The Investment Pool's primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the participants. The third objective is to achieve an investment return on the funds within the parameters of prudent risk management.

Investments in the Investment Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase Agreements and Institutional Money Market funds are carried at portfolio book value (carrying cost). Open-end Institutional Money Market funds are not categorized as to custodial credit risk because the investment in these funds is not evidenced by specific securities. All purchases of investments are accounted for on a trade-date basis. Unrealized gains or losses of

securities are determined by taking the difference between amortized cost and the fair value of investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that were held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. The Investment Pool is authorized to have leverage exposure through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. The maximum exposure is 20% of the total portfolio. There were no RRP's or securities lending transactions during the fiscal year.

As of June 30, 2007, the maturity levels and credit ratings by investment type are presented in the following table. The balances are reported using the weighted average days to maturity (WAM) method.

## San Diego County Investment Pool - Fair Value - June 30, 2007

The entire portfolio is not subject to custodial credit risk.

	S&P Rating	Rate Range %	Maturity Date Range	Par Value (000)	Amortized Cost (000)	Fair Value (000)	Yield To Maturity	WAM (In Days)
U.S. GOVERNMENT AGENCIES								
US Treasury Notes	AAA	4.54 - 5.08	07/07 - 05/12	\$ 321,000	\$ 320,268	\$ 319,459	4.78%	449
Federal Farm Credit Bank Notes	AAA	3.50 - 4.96	05/08 - 02/11	50,000	49,625	49,150	4.62%	942
Federal Home Loan Bank Notes (1)	AAA	2.50 - 5.71	07/07 - 04/12	259,080	260,181	259,247	4.98%	787
Federal Nat'l Mortgage Assn. Notes	AAA	3.80 - 4.00	07/07 - 09/07	50,000	50,000	49,915	3.90%	44
Federal Home Loan Mortgage Corp. Notes (1)	AAA	4.00 - 5.38	08/07 - 03/12	285,700	285,987	284,885	4.90%	539
SHORT-TERM NOTES								
Medium-Term Notes - 30/360	A+	5.07 - 5.70	10/07 - 12/09	180,000	178,341	178,303	5.36%	285
Medium-Term Notes - Actual/360	A-1+	5.30	09/07	50,000	50,000	50,000	5.30%	66
Commercial Paper	A-1	5.26 - 5.45	07/07 - 11/07	1,717,568	1,709,122	1,708,348	5.33%	35
Asset-Backed Notes (Semi-Annual)	AAA	5.13 - 5.34	03/08 - 05/09	32,500	32,384	32,368	5.29%	590
Asset-Backed Notes (Monthly)	AAA	5.55	05/09	14,000	13,711	13,773	5.55%	685
Repurchase Agreements and Sweep	---	3.88 - 5.43	07/07	302,494	302,494	302,494	5.41%	2
Negotiable Certificates of Deposit	A-1+	5.28 - 5.61	07/07 - 06/08	1,190,375	1,190,397	1,190,259	5.35%	58
Open-End Inst'l. Money Market Funds	AAA	5.18 - 5.24	07/07	56,950	56,950	56,950	5.22%	1
Collateralized Certificates of Deposit (Act/360)	---	5.17	01/08	35,000	35,000	35,000	5.17%	214
Collateralized Certificates of Deposit (Act/365)	---	5.12 - 5.14	02/08 - 05/08	20,000	20,000	20,000	5.13%	286
Time Deposits (Act/360)*	---	4.94 - 5.10	08/07 - 05/08	496	496	496	5.02%	190
Time Deposits (Act/365)*	---	4.85 - 5.27	07/07 - 05/08	1,195	1,195	1,195	5.08%	191
Total Investments				\$ 4,566,358	\$ 4,556,151	\$ 4,551,842	5.23%	171

\* Time Deposits are classified as Cash on Hand and In Banks

(1) These represent U.S. agencies whose debt is not guaranteed by the U.S. government and is greater than 5% of pooled investments.

**Concentration of Credit Risk.** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Investment Policy limits the amount of exposure to any one single issuer to five percent. An exclusion to this limit is dependent upon the weighted average days to maturity for commercial paper. If the weighted average number of days is 5 days or less, the issuer limit can increase to ten percent to the total portfolio. The Government Code requires specific percentage limitations for a particular category of investment and limits the purchase of commercial paper to no more than ten percent of the outstanding commercial paper of any single issuer. Investments are in compliance with State law. At June 30, 2007 the Investment Pool's exposure to Negotiable Certificates of Deposit issued by Fortis Bank New York was 5.8%. On the date of purchase, these investments were 4.97% of the Investment Pool. Government Code 53601 requires that when determining a percentage limitation, that percentage is only applicable at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction. The Investment Policy is silent in this area, but was applied consistent with State code. Please see the table on page 27.

**Credit Risk.** The Investment Policy limits investments to the following table. The asset allocation with respect to the credit quality is based on the Standard & Poor's Fund Credit Quality Rating Matrix. The matrix incorporates the ratings of short-term securities to the overall portfolio credit quality rating categories presented below. For example, the short-term ratings of A-1+ or A-1 are assigned a credit factor and score equivalent to a 'AAA' rated security.

Credit Rating Risk	Minimum Fund%	Maximum Fund %
AAA	67	100
AA	0	33
A	0	13

**Custodial Credit Risk.** The County of San Diego is not subject to custodial credit risk. The County of San Diego utilizes third party delivery versus payment custodian which mitigates any credit risk. No level three investments were held. The Investment Policy does not permit investments in uninsured and unregistered securities not held by the County. However, the Investment Policy does permit for securities lending transactions. The portfolio has not been exposed to these types of investments during the fiscal year.

**Foreign Currency Risk.** The Investment Pool does not have any foreign currency risk as all investments in the Investment Pool are in U.S. dollar-denominated assets.

**Interest Rate Risk.** The Investment Pool is banned from purchasing Inverse Floaters, Range Notes, Interest only strips derived from an Investment Pool of mortgages, and any security that could result in zero interest accrual. It is limited on maturity levels, which in turn, allows the Investment Pool to manage its exposure to fair value losses arising from increased rates.

As an element of interest rate risk, the Investment Pool has maintained compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with State Code.

California State Code Section 53601 indicates where the Code does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse



repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

State law does not limit exposure to the issuer per each type of security and it is silent on limiting exposure to each issue. Accordingly, the County believes it is not at measurable risk as to the four risk areas cited above.

**3. Receivables and Payables** Receivables primarily consist of interest accrued on investments. The payables represent the interest for the last quarter that will be credited to Investment Pool participants and earnings are reinvested. Accrued expenses represent the administrative fees for the last quarter of the fiscal year 2006/2007.

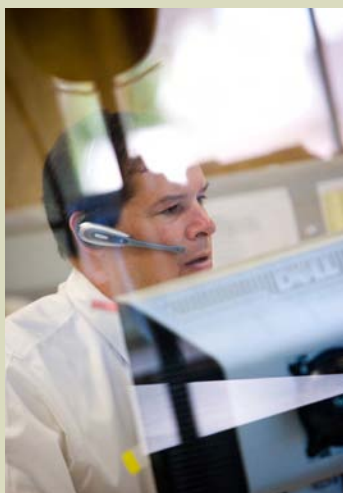
**4. Interest Apportionment** Earnings realized on investments based on amortized cost are distributed to Investment Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasurer's Office and Auditor & Controller's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participant's average daily balances. During the year ended June 30, 2007, the Investment Pool distributed \$202.1 million of investment earnings compared to the previous year's distribution of \$136.2 million. These investment earnings are classified as distributions to participants on the Statement of Changes in Net Assets and are reinvested into the Investment Pool.

**5. Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**6. Investment Pool Composition** The County portion of the Investment Pool net assets as of June 30, 2007 is \$1.9 billion. As of June 30, 2007, the Investment Pool participants by percentage of net assets consist of:

Participants	
Schools	43.39%
County Funds	41.44%
Community Colleges	8.25%
Non County Funds	5.31%
Voluntary Depositors	1.70%
Undistributed and Unrealized Losses	-0.09%
Total	100.00%

**7. Related Party** Certain costs are allocated by the Investment Pool which includes salaries and benefits, services and supplies, overhead and equipment and totaled \$4.4 million in the current fiscal year.



The background is a dark blue-tinted image of a financial newspaper. It features various charts, including a candlestick chart at the top and a bar chart at the bottom. Text elements include "Accumulation", "253.32", "230.43", "230.25", "277.01", "216", "200 DAY MOVING AVG", "INVESTOR", "Spotlighting Follow-Through", "S&P 500", "Daily high, low and close price and volume from Sept. 24 to March 25", "crucial", "St.", "information", "ough it", "the", "mean", "cks", and "S & P 500". A pair of glasses is resting on the newspaper. A yellow rectangular box highlights the "Investment Section" text.

## Investment Section



## Administrative Overview

The San Diego County Investment Pool (the "Investment Pool") was created when the State Legislature established the five-member County Board of Supervisors in 1853. During fiscal year 2006/2007 the Investment Pooled Money Fund activities included the following:

- During the year, the Investment Pool structure has remained in compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years; as of June 30, 2007 the Investment Pool has 78% maturing less than one year.
- The Investment Pool had a decrease in weighted average days to maturity from 177 days at June 30, 2006 to 171 days at June 30, 2007.
- The Investment Pool's total net assets increased by 14% from \$4.00 billion on June 30, 2006 to \$4.57 billion on June 30, 2007.
- The unrealized change in the fair value of investments decreased from \$19.1 million loss at June 30, 2006 to \$4.3 million loss at June 30, 2007.
- The weighted average effective yield (annualized) of the Investment Pool increased from 4.30% for the year ended June 30, 2006 to 5.23% for the year ended June 30, 2007.
- The Investment Pool's expense ratio remained competitive at 0.13% of the average daily balance

for the fiscal year 2005/2006 and 0.14% for 2006/2007.

- The Investment Pool maintained an 'AAAf/S1' rating by Standard & Poor's, a nationally recognized rating agency.

## Outline of the Investment Policy

The Investment Pooled Money Fund is managed in accordance with prudent money management principles and California State Law Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686.

The objectives of the Investment Pooled Money Fund in order of importance are:

1. Safeguard the principal of the funds under the control of the Treasurer's Office.
2. Meet the liquidity needs of participants.
3. Achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.

On an annual basis, the Treasurer's Oversight Committee (TOC) reviews and approves the Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Investment Policy focuses on risk management by setting limits on principal exposure by type of security, by issuer of debt, by minimum credit ratings; limits on liquidity by placing return as the least important compared to safety and liquidity.

The Investment Policy includes a detailed section on terms and conditions for Voluntary Participants' deposits and withdrawal of funds from the Investment Pool. All investment transactions are handled by the internal Investment Officers.

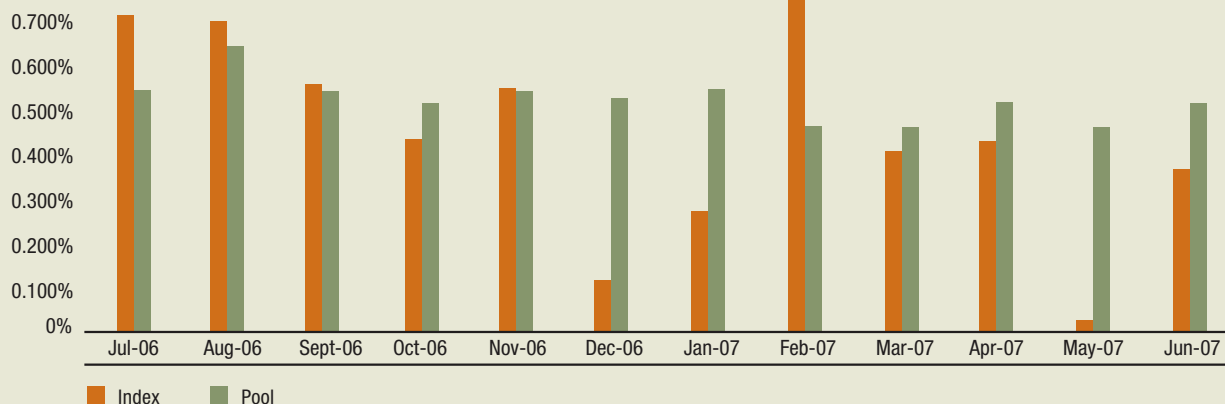
### Investment Results

The Investment Pooled Money Fund outperformed the custom index during the year. The average monthly annualized market value return for the fund during the fiscal year 2006/2007 was at 0.517% while the average monthly annualized market value return for the index was 0.435%. The custom index is made up of the following components:

Investment Type	Maturity Range	Allocation
Treasuries	1 – 3 years	24.00%
Treasuries	3 – 5 years	24.00%
T-Bills	0 – 3 months	12.50%
T-Bills	3 – 6 months	9.00%
T-Bills	6 – 9 months	9.00%
T-Bills	12 months	9.00%
US Libor	1 month	6.25%
US Libor	3 months	6.25%

A chart of the Investment Pooled Money Fund versus custom index is shown below.

### Monthly Market Value Return



## Performance Returns - As of June 30, 2007

The Investment Pool performance returns for each asset class are displayed in the following table.

The calculations were prepared using a time-weighted rate of return based on the market rate of returns.

INVESTMENT TYPE	Reported in Percentages		
	1 Year	3 Years	5 Years
TOTAL PLAN	5.00	3.57	2.92
CUSTOM INDEX	4.41	1.42	5.20
U. S. Government Agencies			
Treasury Notes	4.41	2.42	2.35
FHLMC	4.61	4.14	3.73
FHLB	4.08	2.87	2.81
FHLB Discount Notes	----	4.75	1.37
FNMA Discount Notes	----	----	1.22
FNMA	3.61	2.68	2.94
SLMA	----	----	2.42
FFCB	2.61	2.39	2.38
Short Term Notes:			
Medium-Term Notes 30/360	3.90	3.91	4.00
Medium-Term Notes Act/360	5.14	5.09	4.42
Commercial Paper	5.26	4.10	2.97
Asset Backed Notes (Semi Annual)	3.95	3.01	2.99
Asset Backed Notes (Monthly)	3.74	3.61	3.61
Repurchase Agreements	5.30	4.15	2.82
Negotiable CD Fixed	5.42	3.98	3.12
Negotiable CD Act/365	----	3.36	3.36
Negotiable CD 30/360	----	2.39	2.38
Negotiable CD Purch Int, Disc/360	5.16	5.16	5.16
Bank Notes 30/360	5.30	5.30	5.3
Money Market Mutual Funds	5.20	3.74	2.09
Time Deposits Act/360	4.96	4.03	3.45
Time Deposits Act/365	4.94	4.55	4.17
Time Deposits, Act/365 (Other)	----	----	2.85
Collateralized CD Act/360	5.17	5.17	5.17
Collateralized CD 365/366	5.12	5.12	5.12

## Income Allocation

The interest earned by each Investment Pool participant is proportionate to the average daily balance of the local agency. Prior to distribution, expenses incurred by the County are deducted from the realized earnings of the Investment Pooled Money Fund. The Investment Pool's expense ratio for fiscal year 2006/2007 was 0.14% of the average daily balance. The apportionment rate is set approximately two weeks after each calendar

quarter-end. Apportionments are not paid out by warrants; all earnings are reinvested in the Investment Pool.

## Economic Environment

### Federal Reserve Actions in 2006/2007

The Federal Reserve Open Market Committee did not move the federal funds rate once during the reporting period. Each statement that accompanied their meetings mentioned inflation risk as their main

concern. Even as some economists started to raise concern about the economy in the spring, Federal Reserve chairman Ben Bernanke and the committee did not alter the 5.25% rate. The markets perception that the Federal Reserve was going to have to lower interest rates drove the yield curve to a positive slope in March 2007. The curve started inverting in January 2005 and flipped back and forth until March 2007.

Gross Domestic Product during the reporting period was mixed. Two quarters were at 1.1 and .6, while the remaining two quarters were 2.1 and 3.8. Leading indicators were flat or negative for 8 out of the 12 months. Concerns about the housing market lingered from last year as housing starts dropped 16% from the beginning of the year to the end. These factors and uncertainty surrounding news about problems in the sub prime mortgage market ignited fears of a possible recession.

#### Fiscal Year 2006/2007 Market Conditions

Ignoring the economic news and focusing on possible Federal Reserve rate cuts, the Dow Jones Industrials soared 20%. Similarly the NASDAQ rose 19% during the same period. Portfolio investing was focused on creating and trying to outperform a benchmark. The benchmark was created with the aid of Chandler Investment Advisors. The portfolio was split into two segments; long-term and short-term. This strategy has allowed us to track performance against a custom benchmark on an ongoing basis.

#### Current Fiscal Year 2006/2007

The Federal Funds Futures Index predicts the funds rate to be at 5.25% at the end of 2007 fiscal year. The June 2007 Federal Open Market Committee statement suggested economic growth appears to have been moderate during the first half of the year, despite ongoing adjustments in the housing sector. The Committee acknowledged that core inflation remained elevated, but should moderate over time. The Committee stated their predominant Investment Policy concern remains that inflation will fail to moderate as expected.

#### Local Economy

The University of San Diego's Index of Leading Economic Indicators fell 3.4% during the fiscal year. The index components include building permits, initial jobless claims, stock prices, consumer confidence, help wanted advertising and the national economy. The two biggest losers were in building permits down 6.88% and help wanted advertising which declined 9.91%.

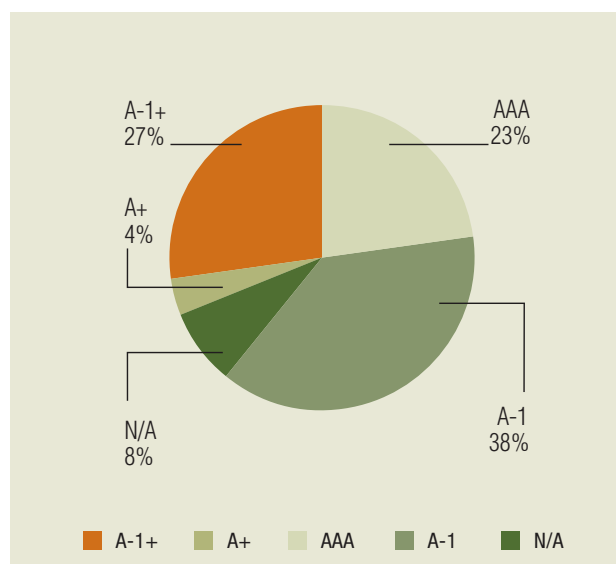
#### Risk Profile

The three main risk factors for the Investment Pooled Money Fund are credit, liquidity and interest rate exposure.

The credit limits of the investments held by the Investment Pool meet the requirements of the Investment Policy and California Government Code. The pie chart below displays the percentage breakdown of credit exposure for the Investment Pool.

In addition to the credit limitations, the Investment Pool is also prohibited from investing in any of the following derivative notes: inverse floater, range notes, interest-only strips derived from an Investment Pool of mortgages, and any security that could result in zero interest accrual.

**Credit Rating Quality Percentage of Portfolio**  
As June 30, 2007





# San Diego County Investment Pool Participants - June 30, 2007 (Continues on next page)

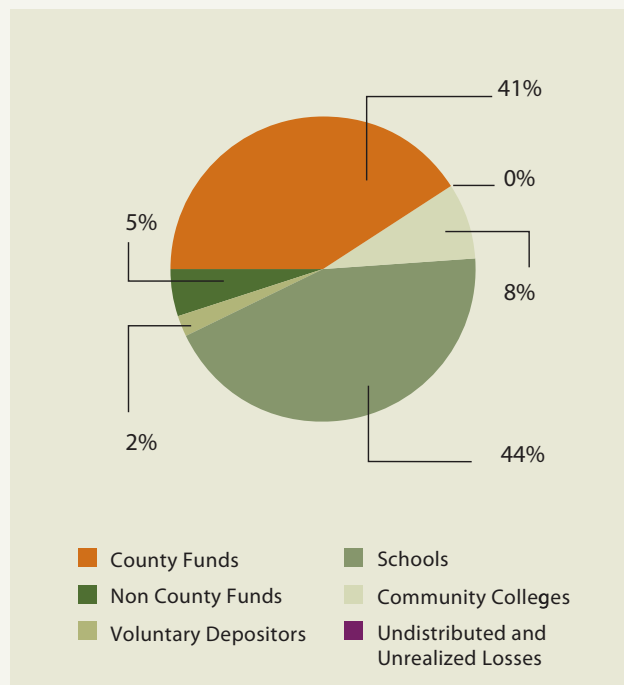
Participant	Percentage Ownership
County	41.44%
Non-County Investment Funds	5.31%
Schools (K thru 12)	
Alpine Union	
Autistic Pupils Minor High	
Autistic Pupils Minor Elem.	
Bonsall Union	
Borrego Springs Unified	
Cajon Valley Union	
Cardiff	
Carlsbad Unified	
Chula Vista Elementary	
Coronado Unified	
Dehesa	
Del Mar Union	
Encinitas Union	
Escondido Union	
Escondido Union High	
Fallbrook Union Elementary	
Fallbrook Union High	
Grossmont Union High	
Jamul-Dulzura Union	
Julian Union	
Julian Union High	
La Mesa-Spring Valley	
Lakeside Union	
Lemon Grove	
Mountain Empire Unified	
National	
Oceanside Unified	
Pauma	
Poway Unified	
Ramona Unified	

Participant	Percentage Ownership
Schools (K thru 12)	
Rancho Santa Fe	
San Diego Unified	
San Dieguito Union High	
San Marcos Unified	
San Pasqual Union	
San Ysidro	
Santee	
Solana Beach	
South Bay Union	
Spencer Valley	
Sweetwater Union High	
Vallecitos	
Valley Center Union	
Vista Unified	
Warner Unified	
Education - Cemetery Districts	
Department of Education	
Education - Debt Service	
Education - Building Funds	
Total for Schools	43.39%
Community Colleges	
San Diego	
Grossmont	
MiraCosta	
Palomar	
Southwestern	
Total for Community Colleges	8.25%
Retirement	0.15%
Cities	
Encinitas	0.01%

Participant	Percentage Ownership
Independent Agencies	
Alpine Fire Protection	
Bonita Sunnyside Fire Protection	
Borrego Springs Fire Protection	
Deer Springs Fire Protection	
East County Fire Protection	
Fallbrook Public Utility	
Fire Agency Self Insurance System (PASIS)	
Julian-Cuyamaca Fire Protection	
Lake Cuyamaca Recreation & Park	
Lakeside Fire	
Leucadia Water District	
Lower Sweetwater Fire Protection	
Majestic Pines Community Services District	
Metropolitan Transit Service	
Mission Resource Conservation	
North County Cemetery District	
North County Cemetery Perpetual	
North County Cemetery	
North County Dispatch	
North County Fire Protection	
Otay Water District	
Palomar Resource Conservation	
Pine Valley Fire Protection	
Pomerado Cemetery Perpetual	
Pomerado Cemetery District	
Ramona Cemetery District	
Ramona Cemetery Perpetual	
Rancho Santa Fe Fire Protection	
SANCAL	
SANDAG	
San Diego Rural Fire Protection	
San Dieguito River	
San Marcos Fire Protection	

Participant	Percentage Ownership
San Miguel Fire Protection	
San Ysidro Sanitation	
So County OPS CTR	
SDC Regional Airport Authority	
Spring Valley/Casa de Oro	
Upper San Luis Rey Resource Conservation	
Vallecitos Water District	
Valley Center Fire Protection	
Valley Center Cemetery	
Valley Center Cemetery Perpetual	
Vista Fire Protection	
Total for Independent Agencies	1.54%
Undistributed and Unrealized Gains/Losses	-0.09%
TOTAL	100.00%

#### San Diego County Investment Pool Participants June 30, 2007



## Leverage Exposure

The Investment Pooled Money Fund is allowed to have leverage exposure through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. The maximum exposure is 20% of the Portfolio value. There were no RRP or Securities Lending transactions during fiscal year 2006/2007.

The Investment Pool Statistics table gives a detailed listing of the Investment Pool diversification, yields by type of securities, and weighted average maturities as of June 30, 2007.

### San Diego County Treasury Investment Pool Statistics - June 30, 2007

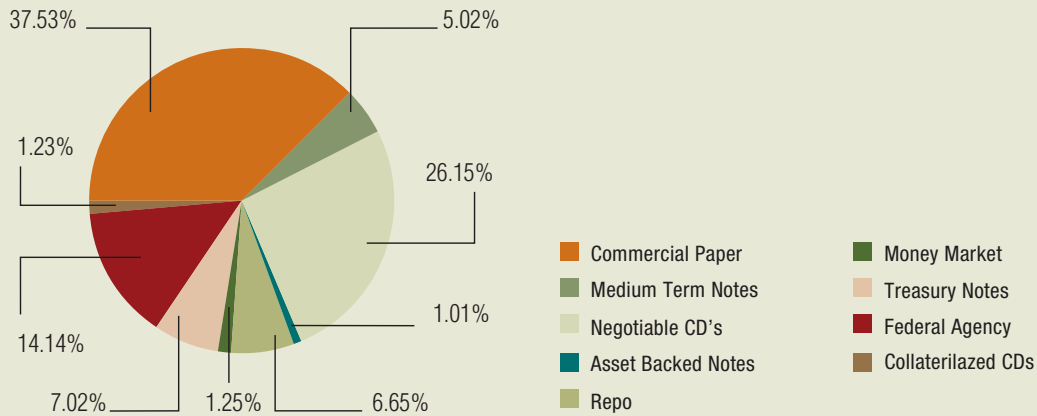
	Percent of Portfolio	Book Value at Amortized Cost	Market Price	Accrued Interest	Market Value	Unrealized Gain/(Loss)	Yield to Maturity	Weighted Average Days to Maturity
U S Treasury Notes	7.02%	\$ 320,268,364	99.52%	\$ 2,705,297	\$ 319,459,300	(\$ 809,064)	4.78%	449
Federal Farm Credit Bank Notes	1.08%	49,624,710	98.30%	715,076	49,150,000	(474,710)	4.62%	942
Federal Home Loan Bank Notes	5.70%	260,181,432	100.06%	2,901,844	259,247,307	(934,125)	4.98%	787
Federal Nat'l Mortgage Assoc. Notes	1.10%	50,000,000	99.83%	742,361	49,915,000	(85,000)	3.90%	44
Federal Home Loan Mortg. Corp. Notes	6.26%	285,986,997	99.71%	4,026,915	284,884,920	(1,102,077)	4.90%	539
Corporate Medium Term Notes	5.02%	228,340,834	99.26%	2,014,134	228,303,000	(37,834)	5.34%	237
Asset Backed Notes	1.01%	46,094,792	99.23%	249,657	46,140,950	46,158	5.37%	619
Money Market Funds	1.25%	56,950,000	100.00%	369,273	56,950,000	0	5.22%	2
Repurchase Agreements	6.65%	302,494,413	100.00%	90,954	302,494,413	0	5.41%	1
Negotiable Certificates of Deposit	26.15%	1,190,396,703	99.99%	29,092,164	1,190,258,763	(137,940)	5.35%	58
Commercial Paper	37.53%	1,709,121,616	99.46%	0	1,708,348,318	(773,298)	5.33%	35
Collateralized Certificates of Deposit*	1.23%	56,691,000	100.00%	64,085	56,691,000	0	5.15%	239
Totals for June 2007	100.00%	\$ 4,556,150,861	99.68%	\$ 42,971,760	\$ 4,551,842,971	(\$ 4,307,890)	5.23%	171

\*Includes 1,691,000 in Time Deposits which are classified as Cash on Hand in Banks in the Statement of Net Assets

A complete list of the current Investment Pool's holdings is available on the Internet at [www.sdtreastax.com](http://www.sdtreastax.com). The apportionment rate during fiscal year 2006/2007 was 5.00%. The preceding 3-year average return was 3.57% and 5-year average return was 2.92%.

## Asset Allocation

### San Diego County Pooled Money Fund as of June 30, 2007 - Asset Allocation at Fair Value As of June 30, 2007



### Schedule of Investment Pool Top Ten Fixed-Income Securities As of June 30, 2007

#### Top Ten Fixed-Income Securities

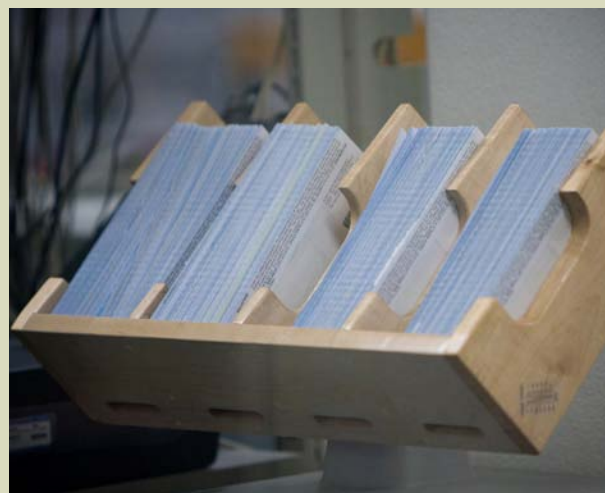
Security Name	Cusip NO.	Par Value	Fair Value
Commercial Paper Royal Bk Canada	78009BU34	\$ 150,000,000	\$ 149,880,000
Commercial Paper Ebury Finance	27873KU26	140,000,000	139,916,000
Commercial Paper Ivory Funding	46588UU53	131,473,000	131,341,527
Negotiable Certificate of Deposit Wash Mutual Bk	93940AMV4	105,000,000	105,000,000
Yankee Certificate of Deposit Deutsche Bank NY	25153GSH0	100,000,000	99,980,000
Yankee Certificate of Deposit Fortis Bank NY	34956MYR9	100,000,000	100,000,000
Yankee Certificate of Deposit Fortis Bank NY	34956MZB3	100,000,000	99,990,000
Commercial Paper New Center Asset	64351VWV9	100,000,000	99,080,000
Morgan Stanley Repurchase Agreement	Various	100,000,000	100,000,000
Deutsche Bank Repurchase Agreement	Various	100,000,000	100,000,000



**Schedule of Fees By Category - For the Year Ended June 30, 2007**

BANKING FEES	
Bank of America	\$ 61,605
Wells Fargo	1,125,575
Armored Transport	130,390
Banking Fees Total	1,317,570
CUSTODIAL FEES	
Mellon-Bank of New York	31,250
StateStreet Bank	84,971
Custodial Fees Total	116,221
APPLICATION FEES	
Bloomberg Trading System	256,232
Sungard Portfolio Management System	18,425
Application Fees Total	274,657
Total Fees	\$1,708,448





Statistical Section



WK

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+2.25

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-3.80

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+13.80

▼

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+2.70

▼

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+5.20



## Introduction

Government Accounting Standards Board (GASB) Statement 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that certain detailed statistical information be presented in this section, typically in ten-year trends, to assist users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information in order to assess the economic condition of the Investment Pool. Provisions of this Statement require that governments preparing this statistical section are encouraged but not required, to report all years of information retroactively.

Generally this information was unavailable due to the following:

Accounting data used in the preparation of the Comprehensive Annual Financial Reports prior to the County's implementation of changes in accounting and presentation called for in GASB Statement 34 "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments." (implemented by the County in Fiscal Year 2002) was not archived in such a manner to enable a retroactive restatement of previous years accounting data.

Non-accounting trend data called for by Statement 44 which was significantly different than data reported in previous fiscal years' statistical tables was either not available from external sources in the format required or was not available in internal archived data.

## Objectives

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.

The following schedules contain five-year trend information to help the reader assess the changes over time.

### Schedule of Additions, Deductions of Pooled Investments and Changes In Net Assets

This table allows the reader to evaluate the movements of increases and decreases in net assets.

### Schedule of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) and Ratio of Fees/ADB

This table contains information to help the reader assess the Investment Pool's performance. It also presents the related expenses and its impact on returns.

### Schedule of Expenses

This table presents expenses by object to help the reader evaluate the fees and expenses incurred by the Investment Pool.

### Asset Allocation

This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk.

### Asset Value by Major Participant

This table presents historical changes in the value held by the Investment Pool participants to help the reader identify and assess the major group who hold and contribute resources to the Investment Pool.

## San Diego County Investment Pool - Schedule of Additions, Deductions of Pool Investments and Changes in Net Assets (1)

FOR THE FISCAL YEARS ENDED:	6/30/2007	6/30/2006	6/30/2005	06/30/2004	06/30/2003
NET ASSETS, BEGINNING OF YEAR	\$ 4,004,178,164	\$ 4,131,299,129	\$ 3,799,621,101	\$ 3,858,274,156	\$ 3,252,138,901
ADDITIONS					
Additions to Pooled Investments (2)	11,909,698,604	28,473,113,569	26,593,131,286	37,800,817,256	36,207,523,331
Net Increase/(Decrease) in Fair Value of Investments	(22,259,995)	28,912,662	(27,930,661)	(36,912,555)	(3,735,502)
Net Investment Income	206,546,440	140,131,928	93,727,388	66,442,613	78,505,059
TOTAL ADDITIONS	12,093,985,049	28,642,158,159	26,658,928,013	37,830,347,314	36,282,292,888
DEDUCTIONS					
Deductions from Pooled Investments (2)	11,325,005,688	28,629,147,195	26,233,522,597	37,821,417,224	35,596,672,002
Distribution to Participants/Portfolio Owners	202,150,125	136,174,373	89,470,591	63,539,605	75,555,211
Administrative Expenses	4,396,315	3,957,556	4,256,797	4,043,540	3,930,420
TOTAL DEDUCTIONS	11,531,552,128	28,769,279,124	26,327,249,985	37,889,000,369	35,676,157,633
CHANGES IN NET ASSETS	562,432,921	(127,120,965)	331,678,028	(58,653,055)	606,135,255
NET ASSETS, END OF YEAR	\$ 4,566,611,085	\$ 4,004,178,164	\$ 4,131,299,129	\$ 3,799,621,101	\$ 3,858,274,156

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section

(2) In prior years, the Investment Pool reports included interfund activity in additions and deductions. In the current year, the report has been revised to reflect elimination of interfund activity. The report is now on a net cash inflow and outflow basis which management believes is more representative of the Investment Pool's inflows and outflows and accounts for the significant decrease in additions and deductions in comparison to the prior year.

## San Diego County Investment Pool - Schedule Of Earnings, Returns, Expenses, Apportionment Rate, Average Daily Balances (ADB) And Ratio Of Fees/ADB (1)

FISCAL YEAR	INTEREST EARNINGS	EFFECTIVE YIELD	EXPENSES	NET DISTRIBUTED	APPORT. RATE	AVE. DAILY BALANCES (IN MILLIONS)	RATIO OF FEES/ADB
2006/2007	\$ 208,254,888	4.58%	\$ 6,104,763	\$ 202,150,125	5.00%	\$ 4,277.6	0.14%
2005/2006	141,493,964	3.54%	5,319,592	136,174,372	3.47%	4,154.7	0.13%
2004/2005	94,916,466	2.32%	5,445,875	89,470,591	2.24%	4,182.8	0.13%
2003/2004	67,583,142	1.64%	4,043,540	63,539,602	1.59%	4,168.7	0.10%
2002/2003	79,485,631	2.38%	3,930,420	75,555,211	2.32%	3,430.2	0.11%

(1) 10 year trend data is unavailable, see reason in Introduction to Statistical Section.

# San Diego County Investment Pool - Schedule of Expenses (1)(Investment and Administrative Costs)

FOR THE FISCAL YEARS ENDED:	6/30/2007	6/30/2006	06/30/2005	06/30/2004	06/30/2003
INVESTMENT EXPENSES:					
Banking	\$ 1,317,570	\$ 1,071,080	\$ 857,252	\$ 967,323	\$ 807,794
State Street Bank - Custodial	84,971	94,496	109,612	88,182	88,974
Bank of New York - Custodial	31,250	-	-	-	-
Bloomberg	256,232	185,417	217,186	56,600	52,745
Sungard Financial Systems	18,425	11,043	5,028	28,424	31,059
<b>TOTAL INVESTMENT EXPENSES</b>	<b>1,708,448</b>	<b>1,362,036</b>	<b>1,189,078</b>	<b>1,140,529</b>	<b>980,572</b>
ADMINISTRATIVE EXPENSES:					
Allocated Costs by County:					
Equipment Cost	16,985	56,336	55,153	65,815	57,566
Computer-Related Expenses					
Software Services	12,903	163,011	10,161	56,371	40,500
Wassau Financial System	149,196	163,990	232,007	-	-
OTG Software Inc	-	-	-	-	77,490
Salaries & Benefits	2,611,336	2,107,955	1,947,523	1,750,405	1,540,932
Services & Supplies	485,834	269,158	1,016,979	106,680	402,262
Department Overhead	502,131	400,395	210,900	347,421	242,346
External Overhead	397,930	576,711	564,074	426,319	438,752
Sub-Total	4,176,315	3,737,556	4,036,797	2,753,011	2,799,848
AUDITOR & CONTROLLER ALLOCATED COST	220,000	220,000	220,000	150,000	150,000
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>4,396,315</b>	<b>3,957,556</b>	<b>4,256,797</b>	<b>2,903,011</b>	<b>2,949,848</b>
<b>GRAND TOTAL EXPENSES</b>	<b>\$ 6,104,763</b>	<b>\$ 5,319,592</b>	<b>\$ 5,445,875</b>	<b>\$ 4,043,540</b>	<b>\$ 3,930,420</b>

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.

### San Diego County Investment Pool - Asset Allocation (1) - Fair Value (Dollar amount in thousands)

INVESTMENT TYPE	6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
U.S. Government Agencies	\$ 643,197	14.14%	\$ 1,645,272	41.19%	\$ 1,793,294	43.92%	\$ 1,460,381	38.82%	\$ 1,586,692	41.46%
U.S. Treasury Notes	319,459	7.02%	-	0.00%	98,555	2.41%	123,016	3.27%	-	0.00%
Commercial Paper	1,708,348	37.54%	1,190,899	29.82%	1,135,940	27.82%	1,049,756	27.91%	1,209,651	31.61%
Corporate Medium-Term Notes	228,303	5.02%	324,129	8.12%	294,883	7.22%	175,232	4.66%	61,300	1.60%
Repurchase Agreements	302,494	6.65%	218,391	5.47%	50,000	1.23%	200,000	5.32%	325,000	8.49%
Negotiable Cert. of Deposit	1,190,259	26.16%	484,821	12.14%	623,287	15.27%	669,739	17.80%	325,275	8.50%
Money Market Mutual Funds	56,950	1.25%	54,050	1.35%	27,600	0.68%	34,400	0.91%	319,100	8.34%
Asset Backed Notes	46,141	1.01%	76,307	1.91%	59,128	1.45%	49,313	1.31%	-	0.00%
Collateralized Cert. of deposit	55,000	1.21%								
<b>TOTAL</b>	<b>\$ 4,550,151</b>	<b>100.0%</b>	<b>\$ 3,993,869</b>	<b>100.0%</b>	<b>\$ 4,082,687</b>	<b>100.0%</b>	<b>\$ 3,761,837</b>	<b>100.0%</b>	<b>\$ 3,827,018</b>	<b>100.0%</b>

(1) 10 year trend data is not available, see explanatory information contained in Introductory section to Statistical Section.

### Participant Asset Value

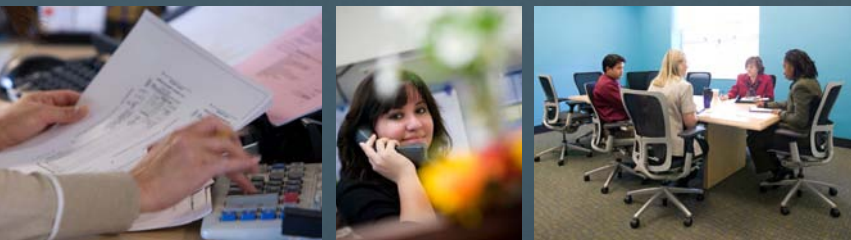
PARTICIPANT	6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$ 1,886,003	41.44%	\$ 1,512,448	37.87%	\$ 1,326,085	32.48%	\$ 1,419,976	37.75%	\$ 1,084,197	28.33%
Non County Investments	241,386	5.31%	238,034	5.96%	388,864	9.52%	126,864	3.37%	484,839	12.67%
K-12 Schools	1,974,358	43.39%	1,963,386	49.16%	1,946,789	47.68%	1,887,028	50.16%	1,820,997	47.58%
Community Colleges	375,286	8.25%	224,455	5.62%	354,746	8.69%	231,956	6.17%	274,865	7.18%
Voluntary Deposits	77,426	1.70%	74,685	1.87%	94,134	2.31%	124,800	3.32%	152,709	3.99%
Undistributed and Unrealized Gains/Losses	(4,308)	-0.09%	(19,139)	-0.48%	(27,931)	-0.68%	(28,787)	-0.77%	9,411	0.25%
<b>TOTAL</b>	<b>\$ 4,550,151</b>	<b>100.00%</b>	<b>\$ 3,993,869</b>	<b>100.00%</b>	<b>\$ 4,082,687</b>	<b>100.00%</b>	<b>\$ 3,761,837</b>	<b>100.00%</b>	<b>\$ 3,827,018</b>	<b>100.00%</b>

(1) 10 year trend data is unavailable, see explanatory information contained in Introduction to Statistical Section.









San Diego County Treasurer-Tax Collector  
1600 Pacific Highway, Room 152,  
San Diego, California, 92101